

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. COC 56283
1b. Type of Well: <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Pioneer Natural Resources USA, Inc.		7. If Unit or CA Agreement, Name and No. Spanish Peaks Unit 57890X
3a. Address 1401 17th Street, Ste 1200 Denver, CO 80202		8. Lease Name and Well No. Nataly Federal 21-18
3b. Phone No. (include area code) (303) 298-8100		9. API Well No. Pending
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 145 FNL & 2573 FWL At proposed prod. zone		10. Field and Pool, or Exploratory Purgatoire River # 70830
14. Distance in miles and direction from nearest town or post office* See attached maps.		11. Sec., T. R. M. or Blk. and Survey or Area NE/NW Sec. 18, T33S R65W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 145'	16. No. of acres in lease 471.24	17. Spacing Unit dedicated to this well 40 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1686'	19. Proposed Depth 1615'	20. BLM/BIA Bond No. on file MTB000041
21. Elevations (Show whether DF, KDB, RT, GL, etc.) GR - 7004'	22. Approximate date work will start* 12/15/2007	23. Estimated duration 30 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature Dave Holmes	Name (Printed/Typed) Dave Holmes	Date 11/15/07
Title Regional Operations Manager		
Approved by (Signature) Linda McGlothlen	Name (Printed/Typed) LINDA MCGLOTHLEN	Date APR 24 2008
Title FIELD MANAGER	Office RGFO	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

RECEIVED

NOV 16 2007

ROYAL GORGE FIELD OFFICE

Operator Copy

CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Lease number / unit number COC56283/COC57890X Spanish Peaks Unit	Operator: Pioneer Natural Resources USA	
Well or Facility Nataly Federal 21-18	Location: 6 th PM T33S, R65W, Section 18, NENW	County Las Animas

A Copy of These Conditions Must Be Furnished to Your
Field Representative to Insure Compliance

1. **DRILLING DEADLINE:** This approval is good for **two years**, or until lease expiration date, whichever occurs first. Any extension must be approved by this office.
2. **NOTIFICATION:** The Royal Gorge Field Office must be verbally notified 48 hours prior to beginning any APD approval activities. This includes notification prior to building the location, spudding the well, and completion activities. If a break occurs during initial drilling operations, then the operator must give 48 hours notice prior to re-commencing operations.

The primary District Office contacts are:

PRIMARY CONTACTS: Address: 3028 East Main, Canon City, Colorado 81212
Office Phone: (719) 269-8500 Fax Number: (719) 269-8599

Petroleum Engineer Technician: Gene Hunt Cell: (719) 429-1307 Work: (719) 269-8533
email: ehunt@blm.gov
Petroleum Engineer: Leslie Peterson Home: (719) 576-2075 Work: (719) 269-8566
email: lpeters@blm.gov
Surface Reclamation Specialist: Ernie Gillingham Home: (719) 275-5494 Work: (719) 269-8531
Cell: (719) 429-3188 email: egilling@blm.gov

3. **SPUD DATE:** The spud report is required either by telephone or email to the Royal Gorge Field Office (719) 269-8500 within 48 hours after spudding, or on first workday after a weekend or holiday.

4. **DRILLING REQUIREMENTS:** All operations will be conducted as required by Onshore Order # 2, or as submitted in your APD. Additional requirements or restrictions to proposed activities are show below:

- a) With a yield of 9 gal/sx for the surface casing cementing program, the amount of cement identified in the APD will not circulate to surface as stated. Operator will need to adjust the amount of cement to be used to ensure cement circulates to the surface.
- b) The BOPE tests must be recorded in the driller's log and show test pressure, test duration, and all valves which were included in the test (such as manifold valves, kelly cock, etc). Any test failures should also be listed, with corrective action.
- c) The **Wait on Cement** time for the surface string shall be a minimum of 8 hours before drilling out, unless the operator can show with a lab analysis that a shorter time period can result in a 500 psi compressive strength using their cement.
- d) The top of cement for the 5 1/2" production strings shall extend at least 100' into the surface casing, and must be verified by the bond log.
- e) A cement bond log shall be run from total depth to at least **100' inside the surface casing**, and be submitted with the completion report (BLM Form 3160-4 Well Completion or Recompletion Report and Log).

5. **SURFACE USE REQUIREMENTS:** All operations will be conducted as submitted in the APD, except as listed below:

- a) Operator must assure BLM has unrestricted access to the well for inspection purposes. Any agreement with the private surface owner overlying any adjacent property to the BLM lease and surface must include permission for BLM inspection access as necessary.
- b) No habitat disturbance (removal of vegetation such as timber, brush, or grass) is allowed during the periods of May 15 - July 15 for the protection of migratory birds in accordance with Executive Order 13186. If vegetation removal can be planned and accomplished prior to May 15, then other operations (pad construction, drilling operations, and production operations) may proceed.

CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Lease number / unit number COC56283/COC57890X Spanish Peaks Unit	Operator: Pioneer Natural Resources USA	
Well or Facility Nataly Federal 21-18	Location: 6 th PM T33S, R65W, Section 18, NENW	County Las Animas

- c) Operator shall construct road and pit as to minimize disturbance. When placing water and gas lines in the road, lines shall be placed in road as much as possible to minimize disturbance width.
- d) When clearing pad area, the brush and tree limb materials shall be stockpiled for use in interim reclamation. During road and pad construction, top soil should be stripped and stockpiled separately from surface soils to a depth of 6-12 inches (as available).
- e) All interim and final reclamation must be approved by this office prior to completing work. Cut banks will be reduced to no more than 3:1 slopes wherever possible. Locations not hardened for facilities and driveway will be seeded. If the well is a producing well, then the top soils stock pile should be spread over the cut and fill slope and the portions of pad not necessary for driving surface. After seeding, the brush and limb materials shall be scattered over the reclaimed area. Use of a chipper on brush and limb materials prior to spreading is acceptable. The same procedures apply to reclamation of the access road area. If the well is plugged after drilling, then the top soil and brush / limb materials should be used over the entire reclaimed pad and road area. If this is not the desired reclamation procedure of the surface owner, submit proposed reclamation change in a sundry notice, stating surface owner desire reclamation procedure prior to commencing reclamation operations.
- f) The proposed seed mixture must be provided and approved by BLM prior to seeding of location. All seed must be certified weed free. After seeding is completed, operator must furnish copies of seed labels on all seed used for reclamation on this well pad and the access road.
- g) Final reclamation plan for this site must include the appropriate abandonment of flow line. Flow line abandonment will be completed by either removal, or purging of flow lines with an inert material (such as water).

6. **PRODUCED WATER DISPOSAL:** Water disposal into reserve/blow down pit is permitted for a period of 90 days after drilling completion, while operator completes requirements of Onshore # 7.

7. **HAZARDOUS MATERIALS:** The Material Safety Data Sheets (MSDS) as required by the Occupational Safety and Health Administration (29 CFR 1910.1200 and 29 CFR 1926.59) must be at the drilling site, and available for BLM inspection.

8. **FRACTURING FLUIDS:** All frac fluids must be mixed, discharged, and recaptured in steel tanks or other suitable containers. **Discharge into pits is not allowed.**

9. **SPILLS:** Any discharge of materials listed in the Environmental Protection Agency (EPA) regulations in 40 CFR PART 302, table 302.4, or produced hydrocarbons, which contacts soil or water (including pits) must be immediately reported to this office.

10. **HISTORICAL/CULTURAL REQUIREMENTS:** The operator is responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator as to:

- Whether the materials appear eligible for the National Register of Historic Places;
- The mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and,
- A time frame for the AO to complete an expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that the required mitigation has been completed, the operator will then

CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Lease number / unit number COC56283/COC57890X Spanish Peaks Unit	Operator: Pioneer Natural Resources USA	
Well or Facility Nataly Federal 21-18	Location: 6 th PM T33S, R65W, Section 18, NENW	County Las Animas

be allowed to resume construction.

11. **PRODUCTION FACILITIES:** The following conditions apply to production facility construction.

- a) All new production facilities construction which have open-vent exhaust stacks will be equipped to prevent bird and bat entry or perching on the stack.
- b) No gas lines or gas use prior to the lease sales meter is permitted except those furnishing gas supply to on-lease equipment such as the separator and well pump unit.
- c) The description of the production facilities in the application includes an evaporative pit or tank for disposal of produced water. If the existing drill pit is to remain, or water tank/pit to be installed, operator must make application in accordance with Onshore Order # 7. Pit construction must be such that at least one side has sloped bank suitable for animal/wildlife to escape.
- d) All facility locations which have tanks or pits must have as-built diagrams showing layout of facilities, and locations of tanks and pits, and type of fluids these structures will handle. Diagram must also show all flow lines flowing into or out of the facility, and any main lines crossing nearby.

12. **GAS VENTING:** Gas produced from this well may not be vented and/or flared beyond an authorized test period of 30 days or 50 MMCF, whichever occurs first, following the initiation of production evaluation testing, without the prior written approval of the Authorized Officer (AO). Should gas be vented and/or flared without prior approval beyond the initial test period authorized above, you may be directed to shut-in the well until the gas can be captured or approval to resume venting and/or flaring is granted by the AO. You will be required to compensate the lessor for that portion of the gas vented and/or flared without approval which is determined to have been avoidably lost.